

Message Text

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44

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 FEAE-00 INT-05 OES-03 /059 W

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P R 241455Z APR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 2607

INFO USDOC WASHDC

AMEMBASSY VIENNA

AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 2373

USDOC FOR MEPD; EX-IM FOR HEIDRICK; VIENNA FOR DIETZ

E.O. 11652: GDS

TAGS: EGEN, EFIN, BEXP, PO

SUBJ: CFF FOR BANCO ESPIRITO SANTO E COMMERCIAL DE LISBOA (BESCL)

REF: LISBON 2090, 2355, STATE 86458

SUMMARY: EMBASSY HAS REVIEWED RECOMMENDATION REGARDING CFF FOR BANCO ESPIRITO SANTO (BESCL) AND RECOMMENDS ITS EXTENSION. EMBASSY CONTINUES TO RECOMMEND EX-IM CREDIT FOR PETROSUL REFINERY. END SUMMARY.

1. COMMERCIAL ATTACHE MET WITH DR. PINTO ALHO, ONE OF THREE GOP-IMPOSED DIRECTORS OF BESCL, TO DISCUSS EXTENSION OF TRADITIONAL CFF. BESCL EXECUTIVES LEARNED FROM "BANKING CONTACTS IN NEW YORK" OF EMBASSY RECOMMENDATION TO DELAY DECISION AND OF EX-IM ACCEPTANCE OF RECOMMENDATION AND WANTED TO CLARIFY SITUATION. ALHO CAREFULLY EXPLAINED PRESENT GOP BANKING POLICY AS FOLLOWS: THE PRESENT ADMINISTRATION OF BESCL WOULD PROBABLY REMAIN AFTER THE 90-DAY PERIOD; THE GOP HAS HONORED AND WILL HONOR ALL COMMITMENTS OF BESCL; POLICY TOWARDS FOREIGN FINANCING AND FOREIGN AC-
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TIVITIES HAS NOT CHANGED SINCE MARCH 14 AND COULD BE EXPECTED

TO CONTINUE AFTER THE 90-DAY PERIOD; ALMOST ALL PERSONNEL IN THE INTERNATIONAL DEPARTMENT ARE STILL IN PLACE; COMPENSATION WOULD BE PAID (ALTHOUGH "IT MIGHT NOT SATISFY EVERYONE"). HE ALSO NOTED THAT WHEN BESCL WAS LIQUID THE USG PUSHED HARD ON CFF; NOW THAT CREDIT IS SCARCE USG DELAYS.

2. GOP MINISTERS CONTINUE TO STRESS INTENTIONS TO ABIDE BY ALL COMMITMENTS, INCLUDING THOSE BY BANKS. GOP, AS FAR AS EMBASSY IS AWARE, HAS THUS FAR HONORED ALL ITS INTERNATIONAL OBLIGATIONS. APPARENTLY BESCL IS OPERATING RELATIVELY NORMALLY.

3. PUBLICATION HERE IN LISBON OF INFORMATION ABOUT EMBASSY RECOMMENDATIONS OF THIS NATURE COULD BE EXTREMELY EMBARRASSING AS WELL AS HARMFUL TO USG EFFORTS. WHILE BANK EXECUTIVES MAY BE TRUSTED TO KEEP IT CONFIDENTIAL, THE BANK WORKERS UNION CANNOT.

4. EMBASSY RECOMMENDS THAT EXTENSION OF CFF FOR BESCL BE APPROVED. HOWEVER, THE MOST CAREFUL CONSIDERATION SHOULD BE GIVEN TO LOANS UNDER THE CFF. WE STILL PERCEIVE NO PROBLEM WITH CONSORCIO MUNDIAL DE IMPORTACAO E EXPORTACAO, SARL.

5. EMBASSY CONTINES TO RECOMMEND THAT THE EXPORT CREDIT BE GRANTED TO PETROSUL. AS WE POINTED OUT IN OUR 1772, WE EXPECTED THAT PETROSUL WOULD ULTIMATELY BECOME STATE-OWNED, EITHER THROUGH MERGER WITH SONAP AND POSSIBLY SACOR OR THROUGH NATIONALIZATION. NATIONALIZATION NOT EXPECTED AFFECT CONSTRUCTION OF REFINERY AT SINES.
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